

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
SMALL BUSINESS PROGRAM (SBP)**

Meeting Date: February 6, 2007

***REQUEST FOR INITIAL and FINAL RESOLUTION and
TAX-EXEMPT BOND ALLOCATION APPROVAL***

Prepared by: *Michael Smith*

Issuer: Alameda County Industrial Development Authority	Amount Requested: \$2,625,000 (TE)
Borrower: 430 Lesser Street, LLC and its successors and assigns	Application #: 07-0001
User: White Brothers (Company)	IR & FR #: 07-0001
Location: Oakland (Alameda County), California	SBP Allocation #: 07-0001A

BORROWER: 430 Lesser Street, LLC, and its respective successors and assigns (collectively, the “Borrower”) is owned by Donald White (50%) and Andrew “Nick” Gerson (50%).

USER: The User of the facility is White Brothers, a company which is 100% owned by Donald White, a fourth generation owner of the Company.

The Company manufactures custom and standard wood moldings and hardwood flooring used in home and commercial office construction. Customers of the Company include Tom Duffy Company, Calwood Floors, Berkeley Mills, and various contractors.

BACKGROUND: White Brothers began as a wood product company in the early 1900’s in San Francisco. For business reasons, the Company relocated to its current location, a leased site in Oakland, in 1994. The move allowed the Company to maintain its manufacturing business and remain close to its customer base. The facility was later purchased by a group of three investors doing business as Cooperstown Holdings, LLC. In 2006, the investor group offered the building for sale. Due to concerns that the new building owner would not allow the Company to continue leasing the building, the Company decided to purchase the building. The Company anticipates that its purchase of the building will be completed in March 2007.

PROJECT INFORMATION: The Company has leased the 430 Lesser Street building for the last twelve years. The facility is an 18,000 sq. ft. single story wood and concrete building used for manufacturing, raw material storage, and offices. The purchase of this facility will allow the Company to remain in the building and will accommodate future growth. This tax-exempt financing includes the purchase of the land and the existing building and rehabilitation of the existing building (the “Project”).

White Brothers has been manufacturing products in this building since 1994, and it intends to renovate approximately half of the building to accommodate new processes related to wood flooring manufacturing and product painting processes. In the future a portion of the building may be leased to Design Workshops, a custom design furniture manufacturer, to house an overflow of its manufactured products.

To ensure that the Project will be used for manufacturing purposes, the loan agreement and tax agreement provide standard language which requires that the Project will be used for manufacturing purposes throughout the term of the bonds.

ANTICIPATED TIMELINE: The escrow for the purchase of the building is scheduled to close on March 3, 2007. Interim financing, if needed, will be provided by Comerica Bank, which is also the Letter of Credit bank for this project.

PRIOR ACTIONS/FINANCING: None

LOCAL GOVERNMENT SUPPORT: The Economic Development Division of the City of Oakland submitted a letter expressing its support for the Project (Attachment A). The letter states that manufacturing industries such as the Company are very important to the City of Oakland's economy.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS:

- The Alameda County Industrial Development Authority approved the Inducement Resolution in an aggregate amount not to exceed \$3,800,000 for the Project on October 17, 2006.
 - The Borrower submitted a verification of zoning and local approvals from the City of Oakland.
 - A TEFRA hearing was held on January 23, 2007 and no comments in support of or in opposition to the Project were received.
 - Upon receipt of adequate allocation from the California Debt Limit Allocation Committee ("CDLAC"), the proposed CIDFAC Resolution will approve the transfer of tax-exempt allocation for the Project from the Small Business Program (SBP).
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CIDFAC STATUTORY CRITERIA: 1) Public Benefits, 2) Relocation, and 3) Bond Issue Qualification.

The points noted below have been awarded based on evaluation consistent with SBP guidelines. The SBP guidelines incorporate CIDFAC statute criteria. However, the SBP does not require the evaluation of points for all statutory criteria.

- 1) **PUBLIC BENEFITS.** The staff assigned a total of 25 verifiable points to the Project, which are detailed below.

Welfare-to-Work Plan (5 points). The Company anticipates creating 30 additional jobs within two years of Project completion and expects to fill some of the positions with referrals from the Alameda County's Welfare-to-Work program. The program will assist the Company in identifying, screening, and preparing CalWORKs clients who have the potential to fill the new positions. The Company expects to begin filling these positions in May 2007 (see Attachment B).

Employment Benefits (Job Creation/Retention-10 points). The Company currently employs 36 direct full-time employees. The Company will retain its current workforce and anticipates creating an additional 30 positions, which will include 1 management position and 29 skilled/semi-skilled positions within two years of completion of the Project. The retention of current employees and creation of additional direct jobs translates into a ratio of one job for every \$39,773 in bond proceeds.

Health Care Benefits (5 points). The Company provided verification of its contribution to the medical insurance coverage for 28 of its 36 employees and their families. The Company's current contribution is \$320 per month for each employee.

Average Hourly Wage (5 points). The Company's average hourly wage for the jobs created by this financing is \$22.54. The average hourly general manufacturing job wage for the Oakland-Fremont-Hayward metropolitan statistical area (MSA) is \$18.40 per hour. This translates into a Project average wage that is 125% of the Oakland-Fremont-Hayward MSA average job wage.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required).** The Company will remain at its current location.
- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required).** Based upon the proposed financial structure and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

FINANCING DETAILS:

Type of Offering: Public Offering
Fixed/Variable: Variable Rate
Loan Term: 25 Years
Credit Enhancement: Direct Pay Letter of Credit provided by Comerica Bank
Bond Rating: At least an "A/A1" Standard & Poors or another nationally recognized rating agency
CDLAC: CIDFAC approval is contingent upon receiving adequate allocation from CDLAC to provide financing under its Small Business Program. Attachment C provides the status of this allocation.

FINANCING TEAM:

Issuer: Alameda County Industrial Development Authority
Bond Counsel: Lofton & Jennings
Underwriter: E.J. De La Rosa & Co., Inc.
Financial Advisor: Progressive Capital

LEGAL QUESTIONNAIRE: The Staff has reviewed the Borrower's/User's responses to the questions contained in the legal status portion of the application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the applicants.

RECOMMENDATION: Staff recommends approval of Initial and Final Resolution Nos. 07-0001 and, contingent upon receipt of adequate allocation from CDLAC, Small Business Program Allocation Resolution No. 07-0001A in an amount not to exceed \$2,625,000 of tax-exempt bonds for 430 Lesser Street, LLC and its successors and assigns, which is contingent upon staff analysis and approval of final bond documents, including receipt of bond counsel opinion and CDLAC allocation approval as set forth in the Initial and Final Resolution.

ATTACHMENT C

Small Business Program Allocation Summary Calendar Year 2007

CIDFAC approval is contingent upon receiving allocation from CDLAC to provide financing under CIDFAC's Small Business Program (SBP). The issuance of tax-exempt bonds under SBP requires the following:

CIEDB* Transactions

1. CIEDB approves inducement resolution.
2. CIDFAC approves tax-exempt allocation.
3. CIEDB approves final resolution.
4. CIEDB issues bonds.

CIDFAC Transactions

1. Local issuer approves an inducement resolution.
2. CIDFAC approves initial/final resolution.
3. CIDFAC approves tax-exempt allocation.
4. CIDFAC issues a Final Issuance Certificate.
5. Local issuer issues bonds.

The following summarizes the use of SBP 2007 Allocation to-date and includes the proposed Project, which is on the current February 6, 2007, agenda:

SBP Allocation	\$ Amount Pending
CIDFAC Allocation	(\$2,625,000)
CIEDB* Allocation	<u>\$0</u>
Remaining Allocation	\$ Amount Pending

* California Infrastructure and Economic Development Bank

**INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
IR/FR # 07-0001**

WHEREAS, Alameda County Industrial Development Authority (the Issuer) has reviewed the application of 430 Lesser Street, LLC and its successors and assigns (the “Applicants”) for the issuance of \$2,625,000 of tax-exempt bonds (the “Bonds”) and has found that said application complies with the provisions of the California Industrial Development Financing Act and has certified to the California Industrial Development Financing Advisory Commission (the “Commission”) that it has adopted a resolution declaring its intention to issue such Bonds and that the Issuer has held a public hearing regarding the issuance of the Bonds and has approved the issuance of the Bonds and has transmitted said application to the Commission and the information necessary to permit review by the Commission; and

WHEREAS, the Commission has reviewed the application and the material submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the construction and use of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$2,625,000; and

(b) the completion of the project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Indenture of Trust,
- (iii) Opinion of Bond Counsel
- (iv) Bond Resolution,
- (v) Letter of Credit, and
- (vi) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

(b) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;

(c) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(d) that the Commission receive all applicable fees prior to the issuance of the bonds or that bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(e) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.

**THE CALIFORNIA INDUSTRIAL DEVELOPMENT
FINANCING ADVISORY COMMISSION
RESOLUTION NO. 07-0001A
RESOLUTION TRANSFERRING A PORTION OF THE 2007 STATE CEILING
ON QUALIFIED PRIVATE ACTIVITY BONDS FOR A
SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT
UNDER THE SMALL BUSINESS PROGRAM**

WHEREAS, it is anticipated that the California Debt Limit Allocation Committee (“CDLAC”) will award allocation to the California Industrial Development Financing Advisory Commission (the “Commission”) for the Small Business Program; and

WHEREAS, the Commission has the authority to transfer a portion of its allocation to local and State issuers; and

WHEREAS, the Commission has received an application (“Application”) from the Alameda County Industrial Development Authority (“Applicant”) for the transfer to the Applicant of a portion of the 2007 State Ceiling on Qualified Private Activity Bonds (the “State Ceiling”) under Section 146 of the Internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations (“Bonds”) for a project as specifically described in Exhibit A (“Project”) (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Procedures of the Commission Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds (the “Commission’s Procedures”)); and

WHEREAS, the Project Sponsor (as defined in Exhibit A) has represented certain facts and information concerning the Project in the Application, which the Applicant has confirmed; and

WHEREAS, in evaluating the Project and potential allocation of a portion of the State Ceiling to the Applicant for the benefit of the Project, the Commission has relied upon the

written facts and information represented in the Application by the Project Sponsor and the Applicant; and

WHEREAS, it is appropriate for the Commission to make a transfer of a portion of the State Ceiling (“Allocation”) contingent upon receipt of Allocation from CDLAC for its Small Business Program in order to benefit the Project described in the Application.

NOW, THEREFORE, the California Industrial Development Financing Advisory Commission resolves as follows:

Section 1. Contingent upon receipt of adequate allocation to the Small Business Program from CDLAC, there will be a transfer to the Applicant an amount of the State Ceiling equal to \$2,625,000. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated as though fully set forth herein (this resolution, together with Exhibit A, hereinafter referred to as the “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor, the Applicant and their respective successors and assigns will be bound by such terms and conditions.

Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and, if the Executive Director determines such modification to be material in light of the Commission’s Procedures, shall require reconsideration by the Commission before the Allocation may be used for the Project. Once the Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. The Commission may consent to changes in the terms

and conditions set forth in this Resolution in the event the Commission is advised of changes in the Project as circumstances may dictate.

Section 4. Any material changes in the structure of the credit enhancement prior to the issuance of the Bonds and not previously approved by the Commission shall require approval of the Commission Chair or the Executive Director.

Section 5. The Applicant is not authorized to use the Allocation transferred hereby to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer the Allocation to any governmental unit in the State other than this Commission.

Section 6. The potential Allocation transferred herein shall automatically revert to this Commission unless the Applicant has issued Bonds for the Project by the close of business within 90 days of the award of Allocation. In the case of extreme hardship, the Executive Director may extend this date by up to five (5) business days.

Section 7. Within twenty-four (24) hours of using the Allocation to issue the Bonds, the Applicant shall notify the Commission's staff and CDLAC's staff in writing (which may be by electronic or facsimile communication) that the Allocation has been used. Each notification to the Commission and to CDLAC shall identify the Applicant, the project or program, the date the Allocation was used, and the amount of the Allocation used.

Section 8. Within fifteen (15) calendar days of the issuance of the Bonds, the Applicant or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting a completed Report of Action Taken in a form prescribed by and made available by CDLAC.

Section 9. Any differences between the amount of Bonds issued and the amount of the Allocation granted in Section 1 of this Resolution shall automatically revert to the Commission. If at any time prior to the expiration date set forth in Section 6 hereof the Applicant

determines that part or all of the Allocation will not be used to issue Bonds by that date, the Applicant shall take prompt action by resolution of its governing board or by action of its authorized officer to return such unused Allocation to the Commission.

Section 10. The staff of the Commission is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain a copy of this Resolution in the Applicant's official records for the term of the Bonds. The Commission staff is further directed to retain a copy of this Resolution in the files of the Commission (or any successor thereto) for the same period of time.

Section 11. In consideration of the potential Allocation to be transferred to the Applicant and the Project Sponsor, the Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Commission is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 12. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by the Commission.

Section 13. This Resolution shall take effect upon its adoption and upon the Commission's receipt of Allocation from CDLAC for its Small Business Program.

EXHIBIT A

**RESOLUTION NO: 07-0001A
(A SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT
UNDER THE SMALL BUSINESS PROGRAM)**

1. Applicant: Alameda County Industrial Development Authority
2. Application No.: 07-0001
3. Project Sponsor: 430 Lesser Street, LLC and its successors and assigns
4. Project User: White Brothers
5. Project Name: White Brothers
6. Address: 430 Lesser Street
Location: Oakland, CA 94601
County: Alameda
7. Amount of Allocation: \$2,625,000
8. The Project Sponsor has represented that it reasonably expects the User will use its best efforts to achieve within two years of the completion of the Project the following:
 - participation in the Welfare-to-Work Plan with the Alameda County Social Services Agency;
 - retention of 36 current positions and the creation of 30 additional direct fulltime jobs, which includes one management position and 29 skilled/semiskilled positions.